

Message Text

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ACTION NEA-10

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E.O. 11652: N/A
TAGS: EFIN, EINV, EG
SUBJ: PEOPLES ASSEMBLY REVIEWS TAX AMENDMENT

REF: 77 CAIRO 20005

1. AFTER TWO MONTHS OF BEING SIDELINED WHILE LEGISLATORS
FOCUSED ON 1978 BUDGET/PLAN, GOE'S TAX REFORM ACT HAS
REAPPEARED ON LEGISLATIVE SCHEDULE. ACCORDING PRESS
REPORTS PA'S BUDGET/PLAN COMMITTEE RE-OPENED HEARINGS
JAN 16 ON NEW AMENDMENTS TO TAX BILL.

2. EARLIER DISCUSSIONS WITH MINFIN (REPORTED REFTTEL) IN-
DICATED ADMINISTRATION OFFICIALS WERE ASKED TO REDRAFT
PORTIONS OF PACKAGE. PRESS ACCOUNTS INDICATE SERIES OF
MODIFICATIONS HAVE NOW BEEN MADE, MOST NOTICEABLY
ADDITION OF PROFITS TAX ON REAL ESTATE RENTALS. SOURCES
SAY PLAN NOW ALSO CALLS FOR LEVIES ON HORTICULTURE
PRODUCTS.

3. NEW CHANGES REPORTEDLY MAKE ALL REAL ESTATE TRANS-
ACTIONS OF LE 10,000 OR ABOVE TAXABLE. ALL RENTAL UNITS S'
WILL ALSO BE TAXED ACCORDING TO RENTAL FEES AND LOCATION;
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E.G., A UNIT RENTING FOR LE 3/MONTH WILL BE TAXED LE 1
ANNUALLY, RISING TO LE 8 ON RENTALS OF LE 10/MONTH OR
HIGHER. UNITS LOCATED IN "TOURIST" AREAS WILL BE TAXED
300 PERCENT ABOVE NORMAL ASSESSMENT BECAUSE OF HIGHER
YIELDS. TENANTS/LANDLORDS ARE REQUIRED TO REPORT NEW
RENTAL CONTRACTS WITHIN 15 DAYS AFTER AN AGREEMENT IS
FINAL.

4. HORTICULTURE TAXES WILL INCREASE TO EQUIVALENT RATES OF TAX ON CULTIVATED LAND. TAX SCHEDULES ON SALARIES AND OTHER INCOME, ACCORDING SOURCE, WILL ALSO RISE. PROPOSED SCHEDULES FOR GENERAL INCOME TAX RANGE FROM 20 PERCENT ON INCOMES OF LE 2,000 TO 80 PERCENT ON INCOMES EXCEEDING LE 150,000 (CURRENT RATE RISES TO 90 PERCENT ON INCOME ABOVE LE 10,000).

5. COMMENT: REEORTS OF SUBJECT LEGISLATION APPEAR TO HIGHLIGHT DIIFERENCES BETWEEN ADMINISTRATION AND LEGISLATORS ON TAX ISSUE. EMBOFF CONVERSATION WITH BUDGET TLAN COMMITTEE CHAIRMAN ABU ISMAIL JANUARY 17 CONFIRMS THAT TAX PACKAGE STILL HIGHLY CONTROVERSIAL SUBJECT IN PEOPLES ASSEMBLY. ABU ISMAIL, HOWEVER, HAS BEEN UNDER PRESSURE FROM PARTY (ASU) TO MOVE BILL OUT OF COMMITTEE AND ON TO OLOOR. DESPITE HIS OWN RESERVATIONS ABOUT BILL --E.G., THAT TAXES ON AGRICULTURE WILL SERVE AS DISINCENTIVE TO PRIVATE INVESTMENT, AND PROGRAM AS PROPOSED FAILS TO RESOLVE ADMINISTRATIVE PROBLEMS IN TAX COLLECTION PROCEDURES-- HE TOLD US HE INTENDS TO DEER TO PRESSURES AND MOVE LEGISLATION TO ASSEMBLY FLOOR NEXT WEEK. WHILE HE ANTICIPATES HEATED DEBATE ON AGRICULTURAL TAXATION ISSUE, HE PREDICTS PARTY PRESSURE, WHICH HAS BEEN WITHHELD UNTIL NOW, WILL LEAD TO PASSAGE OF SOME FORM OF TAX REFORM ACT EARLY IN 1978.

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